DESCRIPTION OF S. 2409

(DESIGNATION OF OVERPAYMENTS AND CONTRIBUTIONS ON TAX RETURNS FOR NATIONAL ORGAN TRANSPLANT TRUST FUND)

Scheduled for a Hearing

Before the

SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT

of the

SENATE COMMITTEE ON FINANCE

on September 20, 1988

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION

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INTRODUCTION

The Subcommittee on Taxation and Debt Management of the Senate Committee on Finance has scheduled a public hearing on September 20, 1988, on S. 2409 (introduced by Senator Bumpers). The bill would provide that taxpayers could designate on their tax returns all or a portion of their tax refunds (or could make contributions with their returns) to a new Federal trust fund that would be used to defray the costs of necessary organ transplants.

The first part of the document[1] is a summary of the bill. The second part provides a description of present law and of the provisions of S. 2409.[2]

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[1] This document may be cited as follows: Joint Committee on Taxation, Description of S. 2409 (Designation of Overpayments and Contributions on Tax Returns for National Organ Transplant Trust Fund) (JCX-29-88), September 16, 1988.

[2] A description of S. 2409 also appears in JCS-12-88, July 11, 1988, which was prepared for the Subcommittee hearing on various tax bills on July 12, 1988. S. 2409 was removed from the July 12 hearing list after the hearing pamphlet went to GPO.

I. SUMMARY OF S. 2409

Under present law, individual taxpayers may elect on their income tax return to allocate $1 ($2 on a joint return) of their tax liability to a fund established to provide financing to Presidential election campaigns. Federal tax law does not permit taxpayers to make contributions for charitable or other purposes through their Federal income tax returns.

The bill would provide that taxpayers could designate on their tax returns all or a portion of their tax refunds (or could make contributions with their returns) to a new Federal trust fund that would defray the cost of necessary organ transplants. The designation of contributions to the trust fund would be effective for returns filed for taxable years ending after the date of enactment.

II. DESCRIPTION OF S. 2409

Designation of Overpayments and Contributions on Tax Returns for National Organ Transplant Trust Fund

Present Law

Under present law, individual taxpayers may elect to allocate $1 ($2 on a joint return) of their tax liability to the Presidential Election Campaign Fund, a fund established to provide financing to the campaigns of presidential and vice-presidential candidates (Code sec. 6096). The election is made on the first page of the taxpayer's return. An election to make an allocation to the fund neither increases nor decreases the taxpayer's liability, but merely determines whether the allocated amount will be used by the Federal Government for campaign funding.

No other provisions of Federal tax law permit taxpayers to designate for what purpose the amount of tax owed is to be used by the Government. Present law does not permit taxpayers to make contributions for charitable or other purposes through their Federal income tax return.

The Commissioner of Internal Revenue, in the instructions to Form 1040, has encouraged taxpayers to include with their tax return voluntary contributions to reduce the public debt. Taxpayers wishing to do so must enclose a separate check payable to the Bureau of Public Debt.

Explanation of the Bill

Designation of amounts for Organ Transplant Trust Fund

Under the bill, taxpayers[3] entitled to an income tax refund could irrevocably designate all or any portion of the refund as a contribution to the National Organ Transplant Trust Fund, a trust fund to be established by the bill within the United States Treasury. The bill would require that the designation appear on the first page of the return.

Taxpayers not entitled to a refund, or who wished to make a contribution to the Fund in excess of their refund, could include an additional amount with their return and designate this as a contribution to the Fund. The designation would not increase or decrease the tax liability of a taxpayer for the year covered by the return.

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[3] It is intended that this provision apply only to individual taxpayers.

Disposition of amounts in Trust Fund

Under the bill, each State would establish a program to receive payments from the Fund and to provide financial assistance to individuals with a medical condition for which an organ transplant procedure is medically necessary, who lack the financial resources to pay for such procedures. A State also could use funds from the Trust to pay for costs incurred by the State's chief health officer to publicize the availability of the Trust Fund and to solicit contributions to the Fund, except that such payments could not exceed five percent of the total payments received by the State from the Trust Fund for the Year.

Specific rules and procedures relating to State residency and the medical and financial eligibility of individuals for benefits under a State's program, which medical expenses would be eligible for payments from the program, the maximum amounts payable, the terms and conditions under which payment will be made to eligible individuals, and other relevant determinations, would be prescribed by regulations issued by the chief health officer of each State.

Amounts in the National Organ Transplant Trust Fund would be disbursed by the Secretary of the Treasury to those States which had been certified by the Secretary of Health and Human Services as carrying out their programs in accordance with the bill and fully accounting for the money received from the Fund for the previous year. Expenses incurred by the Treasury Department in administering the program also would be payable out of the Fund.

Effective Date

The designation of contributions to the Trust Fund would be effective for returns filed for taxable years ending after the date of enactment. The Trust Fund would be established on the date of enactment.